

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
The Uniendo a Puerto Rico Fund and the)	WC Docket No. 18-143
Connect USVI Fund)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
ETC Annual Reports and Certifications)	WC Docket No. 14-58

REPLY COMMENTS OF PUERTO RICO TELEPHONE COMPANY, INC.

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Puerto Rico Telephone Company, Inc. (“PRTC”), by its attorneys, hereby responds to comments filed in response to the Federal Communications Commission’s (“FCC” or “Commission”) Notice of Proposed Rulemaking (“Notice”) seeking input on how best to structure Stage 2 of the Uniendo a Puerto Rico Fund (“Uniendo Fund”) to support the Commission’s goals of restoring service throughout the island, hardening communications networks, and expanding access to broadband Internet service.¹

I. EXECUTIVE SUMMARY

There is general consensus among commenters that the Commission’s proposed budget for the Uniendo Fund, while an important step forward, is insufficient to meet the Commission’s expanded universal service goals of hurricane restoration and hardening, and expansion of broadband coverage. This is consistent with PRTC’s proposal for an additional budget for fixed providers of \$620 million above the existing legacy frozen support. This proposal stands out

¹ *The Uniendo a Puerto Rico Fund and the Connect USVI Fund, Connect America Fund, ETC Annual Reports and Certifications*, WC Docket Nos. 18-143, 10-90 and 14-58, FCC 18-57, Order and Notice of Proposed Rulemaking (rel. May 29, 2018) (“Uniendo Order” or “Uniendo Notice”). In these reply comments, PRTC does not comment on the proposals as they relate to the Connect USVI Fund.

because it is based on PRTC's actual short-term restoration fixed network costs and estimates of capital expenditures to meet the Commission's goals.

There is also consensus among commenters that the Commission should use an expeditious approach to the distribution of Stage 2 funding. Indeed, in the history of the Universal Service Fund ("USF"), there has never been a more urgent need for funding to restore, harden, and expand communications services in the face of a humanitarian crisis of epic proportion. By giving PRTC the right of first refusal, the Commission will accelerate longer-term efforts to rebuild and expand voice and broadband networks to the largest number of locations in the shortest amount of time and the most economically efficient manner. PRTC, as the largest provider with the most extensive telecommunications network in Puerto Rico, is uniquely positioned to work with the Commission to make the Uniendo Fund a success

The Commission should not limit use of Stage 2 funds to areas unserved by an unsubsidized competitor because that process is contentious and fraught with delay, an outcome that commenters agree would not quickly fix Puerto Rico's communications crisis. By providing flexibility on where the funds are used, the Commission will permit funding recipients to appropriately leverage remaining network plant to better use the limited Uniendo Fund dollars. This flexibility is consistent with the Commission's determination that all of Puerto Rico should be eligible for funding due to the ubiquitous destruction caused by the hurricanes.

If the Commission ultimately declines to adopt the right of first refusal approach, commenters agree that the Commission should use a competitive request proposal process rather than an auction. An auction is unnecessary given the small geography and the limited number of eligible providers in Puerto Rico, and it would only serve to introduce inefficiencies and delays. In any such competitive procurement process, the minimum geographic area should be defined

by areas no smaller than Puerto Rico's seventy-eight municipios. Using municipios would allow providers to better achieve economies of scale that would not be available with smaller areas such as barrios or census blocks. Consistent with its goals, the Commission should require the winning recipient to offer voice telephony service through the entire supported geographic area regardless of the technology platform.

The Commission should restrict eligibility for Stage 2 fixed funding to providers that, based on June 2017 FCC Form 477 data, had an existing fixed network and provided broadband service to at least some residential locations prior to the hurricanes. This is the most reasonable and economically efficient approach because it will leverage existing facilities to minimize costs, accelerate the deployment of broadband, and avoid inefficient duplication of facilities constructed with the help of high-cost support. Puerto Rico is at a critical juncture and will be able to recover from the severe devastation caused by the storms only if investment in its telecommunications infrastructure is timely and supported wisely.

Lastly, regardless of how much additional support the Commission decides to award and the mechanism by which it is ultimately distributed, the Commission should continue to provide the \$36 million per year in frozen support to PRTC. PRTC has incurred the highest restoration and rebuilding expenses of any carrier due to the size of its network in the disaster zone. PRTC's investment in broadband expansion on the island, which was supported in part by high cost frozen support, was substantially wiped out by the hurricanes. Providing support to restore PRTC's facilities to pre-hurricane levels represents the single most important step the Commission can take to restore and eventually expand service to the largest number of residents on the island.

II. THERE IS CONSENSUS THAT THE SIZE OF THE FUND FOR FIXED PROVIDERS IS INSUFFICIENT TO SATISFY THE COMMISSION'S MULTIPLE PURPOSES IN PUERTO RICO.

In its comments, PRTC argued that the Commission should slightly more than double the proposed amount of the Uniendo Fund given the scope of devastation to telecommunications networks in Puerto Rico and the Commission's goals, which include service restoration and network hardening as well as increased access to broadband Internet service.² The record supports the need to increase the size of the Fund for fixed providers to support the Commission's goals and the needs of residents in Puerto Rico.

PRTC agrees with those commenters that have the greatest familiarity with the costs and challenges of providing fixed communications service in Puerto Rico, which all support an increase in the amount of universal service funding: the Telecommunications Regulatory Board of Puerto Rico ("the Board") and Liberty Cablevision of Puerto Rico, LLC ("Liberty"). For example, the Board observes that the proposed Stage 2 funding represents "a good down payment toward Puerto Rico's recovery efforts" while recognizing that "these funds *will not be enough* for full restoration and meaningful expansion of the telecommunications infrastructure across the island" and that "more may be needed to restore and advance broadband services throughout the island."³ The Board also explains that "mere restoration of service to pre-hurricane levels will fail to address the unserved and under-served areas of the island."⁴ The Governor of Puerto Rico similarly observes that the proposed Stage 2 funding is "a good starting

² Puerto Rico Telephone Company, Inc. Comments at p. 5-6. Unless otherwise indicated, all comments referenced herein were filed in WC Docket No. 18-143 on July 26, 2018.

³ Telecommunications Regulatory Board of Puerto Rico Comments at pp. 5, 7 (emphasis added).

⁴ *Id.* at 5.

point for recovery and advancement of critical infrastructure” but strongly recommends that the Commission “provide for additional support to meet the urgent needs in Puerto Rico.”⁵

Liberty, the largest cable operator in Puerto Rico, recognizes that the funds that the Commission proposes to make available through Stage 2 of the Uniendo Fund will help with the restoration process but also recognizes achieving the Commission’s network hardening and expansion goals in Puerto Rico will require the allocation of additional support.⁶ PRTC agrees it is “imperative that the Commission consider additional support.”⁷ Both PRTC and Liberty show that without the infusion of additional support beyond what the Commission has proposed, it is unlikely that the Commission will achieve its three primary goals in this proceeding, *i.e.*, rebuilding, improving, and expanding broadband-capable networks.⁸ PRTC’s proposal to increase the amount of the Fund is based on real data regarding its actual short-term restoration fixed network costs and estimates of capital expenditures necessary to restore, modernize, and expand broadband service throughout Puerto Rico. PRTC urges the Commission to increase the size of the Fund consistent with this record evidence.

The Commission must consider not only the post-hurricane network devastation in Puerto Rico, but also the increased levels of poverty and population loss when estimating the amount of universal service funding necessary to achieve its goals.⁹ The Board emphasizes that the physical and legal challenges of importing equipment and installing plant are “compounded

⁵ Governor of Puerto Rico Comments at p. 2.

⁶ Liberty Cablevision of Puerto Rico, LLC Comments at p. 7.

⁷ *Id.* at 8.

⁸ *See id.* at 8 (emphasis added); Puerto Rico Telephone Company, Inc. Comments at pp. 5-6.

⁹ *See* Puerto Rico Telephone Company, Inc. Comments at p. 9 (“While PRTC does not expect nor is it asking that the Uniendo a Puerto Rico Fund fully fund the cumulative effect of post-hurricane network devastation, the population loss and drop in economic activity warrant additional universal service spending when considered in light of the Commission’s broadly expanded goals.”).

further by the low-income and high poverty level of the island's population.”¹⁰ In this regard, the Board provides data that highlight the magnitude of the challenge: the median household income in Puerto Rico is \$20,078, and 43.5 percent of the population lives below the poverty level, almost three times the national average of 14 percent.¹¹ The Board and the Governor of Puerto Rico appropriately argue that very low average income and high levels of poverty make it almost impossible to recover from customers the very high costs of fixed-network operations that can provide service across the island.¹² Significantly, the Board shows that an estimated six percent of the population of Puerto Rico left the island in the first three months after Hurricane Maria and that this number is likely to increase.¹³

The challenges due to markedly lower income levels and outmigration are not new to Puerto Rico. That is why the Commission could not simply apply to Puerto Rico its cost model with take rate assumptions based on location counts that were used to distribute Connect America Fund (“CAF”) Phase II support for the rural continental United States. Since the hurricanes, the compounding effects of low subscription and lower income levels have significantly worsened, which has only added to the challenges of building expensive fixed networks on the island. The Commission has a unique opportunity in this proceeding to accomplish its universal service goals by committing the resources reasonably necessary to enable residents of Puerto Rico to benefit from fixed and mobile communications.

¹⁰ Telecommunications Regulatory Board of Puerto Rico Comments at p. 2.

¹¹ *Id.* at 7.

¹² *Id.* at 6; Governor of Puerto Rico Comments at p. 3.

¹³ Telecommunications Regulatory Board of Puerto Rico Comments at p. 9. Liberty cites sources that put the number of people who fled Puerto Rico after the hurricanes at approximately 500,000, thus reducing Puerto Rico's population from 3.35 million to approximately 2.85 million people. Liberty Cablevision of Puerto Rico, LLC Comments at p.9 n.19.

III. THERE IS CONSENSUS THAT THE COMMISSION SHOULD USE AN EXPEDITIOUS APPROACH TO THE DISTRIBUTION OF FUNDING.

PRTC argued in its comments that before initiating a competitive funding allocation process, the Commission should give PRTC the right of first refusal (“ROFR”).¹⁴ This approach would allow the Commission to achieve its goals most expeditiously. However, if the Commission declines to adopt this ROFR approach, commenters agree that the Commission should use a competitive request proposal process rather than an auction.¹⁵ PRTC agrees that if the Commission declines to adopt a ROFR approach, a competitive request process is the next best option.

Other commenters agree that an auction would only introduce inefficiencies and delays. For example, the Board observes that an auction would delay disbursement of support for wireline providers.¹⁶ The Board also emphasizes that the use of an auction is inappropriate because the FCC’s Connect America Model (“CAM”) will not work for setting reserve prices.¹⁷ AT&T similarly notes that an auction makes little sense for fixed or mobile funds “given the small geography, the limited numbers of eligible providers, and the amount of lead time and extensive resources the Commission requires to set up an auction.”¹⁸ The complexity associated with an auction does not make it a prudent course of action for Puerto Rico. Instead, if the

¹⁴ Puerto Rico Telephone Company, Inc. Comments at pp. 4, 16, 20-22.

¹⁵ *Id.* at 5, 22-23.

¹⁶ Telecommunications Regulatory Board of Puerto Rico Comments at p. 10.

¹⁷ *Id.* at 2.

¹⁸ AT&T Services, Inc. Comments at p.16; see also Data@ccess Communications, Inc. Comments at p. 5 (stating that an auction process may be lengthier and delay the injection of critical funds into rebuilding and expanding networks); VPNet, Inc. Comments at p. 7 (stating that a single-stage application approach furthers the Commission’s goal of expediting support to the island); Virgin Islands Telephone Corp. Comments at p. 39 (stating that an auction would delay Stage 2 fixed funding beyond any useful timeline).

Commission declines to adopt a ROFR approach, the Commission should use a competitive request for proposals process.

A central concern of the Commission's Notice is the need to get funding allocated quickly and avoid undue delay.¹⁹ Puerto Rico remains highly vulnerable, and the island is still struggling to recover from the severe devastation caused by the storms. As another hurricane season approaches, the situation in Puerto Rico remains fragile and needs immediate support. For this reason, PRTC generally opposes any proposals that could lead to bureaucratic delay. Although PRTC agrees that the Board should help inform the Commission's solution, it disagrees that the Commission should enter into a Memorandum of Understanding with the Board to allow it to become an integral part of all aspects of the decision-making process.²⁰ While the Board's offer to assist the Commission is commendable, it is not an expedient way for the Commission to accomplish its goals.

IV. LARGER GEOGRAPHIC MARKETS WILL LEAD TO ECONOMIC EFFICIENCIES TO BETTER ADDRESS SIMULTANEOUS RESTORATION, HARDENING, AND EXPANSION.

A. The Commission Should Not Limit Use of Funds to Areas Unserved by An Unsubsidized Competitor Because That Process Is Contentious and Fraught with Delay.

PRTC supports the FCC's decision to temporarily suspend its competitive restrictions on the use of funding and encourages it to make that suspension permanent. In its comments, Liberty argues that the Commission should exclude from eligibility for Stage 2 support areas that

¹⁹ *Uniendo Notice* at ¶¶ 19, 33, 38, 42.

²⁰ Specifically, the Board proposes to, jointly with the Commission: (a) develop a scoring matrix for evaluating proposals; (b) evaluate each proposal against the scoring matrix; (c) negotiate and discuss useful adjustments to the proposals in order to ensure that policy goals have been met; (d) award funding to those proposals with the highest scores until funding is depleted; (e) establish the obligations and penalties for not meeting buildout milestones; (f) assist with monitoring and accountability after funding has been disbursed; and (g) promptly review eligible telecommunications carriers applications to determine eligibility to receive funding. Telecommunications Regulatory Board of Puerto Rico Comments at pp. 12-13.

are currently served by unsubsidized terrestrial providers of fixed voice and broadband service.²¹ Not surprisingly, under such an approach, the areas in which PRTC provides service would be eligible, but the areas in which Liberty provides service would not be eligible. For the same reasons the Commission suspended these rules in its earlier order,²² the Commission should reject this approach.

The Commission has always recognized that providing communications services in Puerto Rico presents unique challenges. Fixed communications networks are expensive to build, and the costs of building such networks are difficult to recover from a hard-to-reach population with income levels that are significantly lower on average than those in the mainland. Given the island's unique, preexisting circumstances and the widespread destruction of most critical infrastructure caused by the storms, the Commission proposed to make all of Puerto Rico eligible for Uniendo Fund support. This is the most reasonable and economically efficient approach. As the Commission recognizes in the Notice, “[b]y making the entire territory eligible, we would eliminate the need to establish a challenge process and thus enable a more expeditious completion of the process.”²³ PRTC strongly supports this proposal because it is the most economically efficient use of universal service monies.

By providing flexibility on where the funds are used, the Commission will permit funding recipients to utilize economies of scale to make better use of limited Uniendo Fund dollars. In

²¹ Liberty Cablevision of Puerto Rico Comments, LLC at pp. iii, 26.

²² See *Connect America Fund*, Order, 32 FCC Rcd 7981, ¶ 12 (2017) (providing a waiver on the Commission's own motion due to the special circumstances of widespread service disruption and the public interest of restoring service).

²³ *Uniendo Notice* at ¶ 45; see also VPNet, Inc. Comments at p. 8 (“Unlike the CAF Phase II auction, identifying “unserved” areas that were formally “served” is not a straightforward task where hurricane-ravaged Puerto Rico is concerned. Allowing for eligibility across the whole of Puerto Rico will expedite support by avoiding the delays resulting from having to resolve challenges to determinations of whether a particular area is served or unserved as of a date certain.”).

turn, this will help Puerto Rico recover from the extensive damage caused by the hurricanes more quickly. This flexibility is consistent with the Commission's determination that all of Puerto Rico should be eligible for funding due to the ubiquitous destruction caused by the hurricanes. In contrast, limiting use of funding to areas unserved by an unsubsidized competitor would create a patchwork of duplicative networks that would fail to support the Commission's goals in this proceeding. Accordingly, PRTC urges the Commission to adopt its proposal to make all of Puerto Rico eligible for funding and to suspend for several years any requirement that use of the funds be restricted to areas without an unsubsidized competitor.

B. By Requiring Broader Geographic Commitments (e.g., Municipio Basis), the Commission Will Prevent Marginal Households from Being Left Behind.

PRTC believes that the Commission should provide PRTC the opportunity to serve the entire island on a ROFR basis. If, however, the Commission ultimately decides to use a competitive procurement process and award funding on the basis of smaller geographic areas, those areas should be no smaller than municipios. Awarding funding on the basis of smaller geographic areas would likely leave marginally uneconomic barrios or census blocks without fixed broadband or telecommunications services. Historically, because of limited funding, the Commission's cost model approach has only awarded support in the highest cost census blocks in a municipio while many other marginally uneconomic census blocks are left to market forces. By designating larger geographic areas while imposing service requirements on the entire area, the Commission will help ensure that no census block or barrio is left behind. For this reason, PRTC disagrees with the Board's and Liberty's arguments that the Commission should use geographic areas smaller than municipios.²⁴

²⁴ See Telecommunications Regulatory Board of Puerto Rico Comments at p. 13 (urging the Commission to award funding to "a combined group of barrios"); Liberty Cablevision of Puerto Rico Comments, LLC at pp. 24-25 (urging the Commission to use census block groups). As support for its argument that the Commission should

From a policy perspective, if the Commission wants to achieve its goals of restoring and expanding broadband service to as many locations as possible, it should establish appropriately sized geographic areas that will allow providers to leverage existing network plant and better achieve economies of scale. In some cases, servicing particular barrios is so uneconomical due to high deployment cost, low population density, low income levels, and other reasons, that even if one were to assume a hypothetical 100 percent take rate, no rational business could justify the investment even with a subsidy. Additionally, using municipios as the minimum geographic area recognizes that the provision and operation of service in a single small geographic area, such as a census block, requires facilities that are physically located outside of the census block and also are used to provide service to other census blocks. As the Commission recognized in CAF Phase II, networks are not built and operated census-block-by-census block but instead consist to a large degree of shared facilities.²⁵ Given the that the hurricanes' impact has required significant rebuilding of the networks, distributing support on a census block or other small geographic basis would be highly inefficient and administratively unworkable for carriers and the Commission alike. PRTC cannot overstate the importance of adopting an approach that is simple and workable given the state of devastation in Puerto Rico.

PRTC provides telecommunications services and broadband service in all seventy-eight municipalities.²⁶ Based on its significant experience building networks and providing service in hard-to-reach locations, PRTC has established that its proposal is the most efficient way to

award funding to a combined group of barrios, the Board states that, even before the hurricanes, there were “at least ten municipios that have never been served adequately because it is cost-prohibitive to serve the entire municipio.” Telecommunications Regulatory Board of Puerto Rico Comments at p. 3. The Board provides no details regarding this statement, including the services at issue or how it measures the “adequacy” of those services.

²⁵ See *Connect America Fund; High-Cost Universal Service Support*, WC Docket Nos. 10-90 and 05-337, Report and Order, 28 FCC Rcd 05301, ¶ 38 (WCB 2013).

²⁶ PRTC reports its broadband subscribers to the Board via Form TRB 200-M.

achieve restoration and expansion throughout Puerto Rico and the need for more funds to fulfill the Commission's goals: PRTC already has a network that extends to all seventy-eight municipios, but more funds are needed to reach speeds higher than 10/1 Mbps and increase the number of households served within those municipalities.²⁷

C. The Commission Should Require a Solution That Ensures That All of Puerto Rico Has Access to Voice Communications.

The Commission should ensure that any approach it adopts for the Uniendo Fund requires the support recipient to offer voice telephony service throughout the entire supported geographic area regardless of the platform.²⁸ This would support the critical goal of the Commission in this proceeding to improve and expand voice networks in Puerto Rico in addition to broadband networks.

Section 254(b) of the Communications Act of 1934, as amended, provides that one of the guiding principles on which the Commission must base its policies for the preservation and advancement of universal service is to ensure that consumers in all regions of the country, including low-income consumers and those in rural, insular, and high cost areas, have access to telecommunications and information services.²⁹ Consistent with this principle, the Commission made clear in the *USF/ICC Transformation Order* that one of its universal service goals includes the preservation of voice service.³⁰ In doing so, the Commission reaffirmed its commitment to

²⁷ Puerto Rico Telephone Company, Inc. Comments at pp. 4, 16, 20-22.

²⁸ Pursuant to Section 54.101(a) of the Commission's rules, eligible voice telephony services must provide "voice grade access to the public switched network or its functional equivalent; minutes of use for local service provided at no additional charge to end users; access to the emergency services provided by local government or other public safety organizations, such as 911 and enhanced 911, to the extent the local government in an eligible carrier's service area has implemented 911 or enhanced 911 systems; and toll limitation services to qualifying low-income consumers as provided in subpart E of this part." 47 C.F.R. § 54.101(a).

²⁹ 47 U.S.C. § 254(b)(3).

³⁰ *Connect America Fund et al.*, WC Docket No. 10-90 *et al.*, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, ¶ 49 (2011) ("USF/ICC Transformation Order").

“ensuring that all Americans have access to voice service while recognizing that, over time, we expect that voice service will increasingly be provided over broadband networks.”³¹ Thus, this commitment must be preserved as the Commission works to fundamentally re-engineer the CAF program to assist a territory that is struggling to recover from the extensive damage caused by a destructive 2017 hurricane season.

V. THE COMMISSION SHOULD ADOPT ITS PROPOSAL TO LIMIT ELIGIBILITY FOR STAGE 2 FIXED FUNDING TO FIXED PROVIDERS THAT PREVIOUSLY SERVED RESIDENTIAL CUSTOMERS IN PUERTO RICO.

The Commission should restrict eligibility for Stage 2 fixed funding to providers that, based on June 2017 FCC Form 477 data, had an existing fixed network and provided broadband service to at least some residential locations prior to the hurricanes.³² This option makes the most sense because it will leverage the existing facilities, including last mile facilities, to minimize costs and maximize expansion.

An existing broadband provider’s costs of upgrading and extending service to nearby areas will generally be far lower than the costs that a new broadband provider would incur to deploy comparable service.³³ As PRTC noted in its initial comments, the per location cost of its broadband expansion proposal is significantly lower than the average per location cost estimated by the Commission’s CAM model.³⁴ By limiting Stage 2 support to providers that have already made substantial broadband investments in a given area, the Commission will accelerate the

³¹ *USF/ICC Transformation Order*, 26 FCC Rcd 17663, ¶ 49.

³² *See Uniendo Notice* at ¶ 42.

³³ As the Commission stated in the *USF/ICC Transformation Order* when it first decided to give incumbent LECs an opportunity to enter a state-level service commitment rather than immediately adopting competitive bidding everywhere for the distribution of CAF support, it is the Commission’s “predictive judgment that the incumbent LEC is likely to have at most the same, and sometimes lower, costs compared to a new entrant in many of these areas.” *USF/ICC Transformation Order*, 26 FCC Rcd 17663, ¶ 175.

³⁴ Puerto Rico Telephone Company, Inc. Comments at p. 9 n.11. PRTC estimates the per location cost of its proposed broadband expansion to be \$901 compared to a CAM average for Puerto Rico of \$1,172.

deployment of broadband and avoid inefficient duplication of facilities constructed with the help of high-cost support. Liberty agrees with this concept, stating that existing facilities-based providers are best equipped to deploy facilities.³⁵ Failure to leverage existing infrastructure will only make the total costs to the USF more expensive, which would not be in the public interest.

PRTC further agrees with Liberty that new entrants to the market are likely to face significant challenges that are not commonplace in the contiguous 48 states due to the unique operating environment that Puerto Rico presents.³⁶ This sentiment was also expressed by the Commission in its Notice. The Commission observes that having a track record of providing service in Puerto Rico should minimize the risk that a recipient will default on its service obligations.³⁷ PRTC urges the Commission to adopt this proposal. Puerto Rico is at a critical juncture and will be able to recover from the severe devastation caused by the storms only if investment in its telecommunications infrastructure is supported appropriately.

VI. THE NEED FOR CONTINUED LEGACY FROZEN SUPPORT IS NOW GREATER THAN EVER AND WILL BE CRITICAL TO PUERTO RICO AND ITS RECOVERY.

PRTC's need for continued frozen support is now greater than ever before. Because PRTC is the largest provider with the most extensive telecommunications network in Puerto Rico, it has incurred the highest restoration and rebuilding expenses of any carrier. As explained in its comments, PRTC's investment in broadband expansion on the island, which was supported in part by high cost frozen support, was substantially wiped out by the hurricanes. Additionally, its facilities built – in part, with CAF Phase I Round 2 support – to provide broadband services to

³⁵ Liberty Cablevision of Puerto Rico Comments, LLC at p. 31.

³⁶ *Id.*

³⁷ *Uniendo Notice* at ¶ 42; *see also* Liberty Cablevision of Puerto Rico Comments, LLC at p. 31 (“[T]here is a far greater likelihood that such providers would fail to meet their specific deployment and performance obligations if they were to win support.”).

unserved areas were almost completely destroyed. Providing support to restore all PRTC's facilities to pre-hurricane levels represents the single most important step that the Commission can take to restore and expand service to the largest number of locations on the island.³⁸

The fact that PRTC has the most extensive telecommunications network in Puerto Rico makes it uniquely positioned to restore and expand voice and broadband service more quickly than any other carrier. PRTC is able to combine the efficiencies, scale, scope, and history of providing service to bring advanced broadband services to unserved areas throughout the island. This will allow the Commission to accelerate restoration and expansion of broadband and avoid inefficient duplication of facilities. As the Commission stated before the U.S. Court of Appeals for the Tenth Circuit in defending its adoption of the interim state-level commitment procedure:

[t]he *Order* adopted the state-level commitment procedure based on the existing *availability* of incumbent LEC facilities, even if those facilities must be upgraded. As the FCC found, while competitive ETCs “may be well situated to make broadband commitments with respect to relatively small geographic areas,” “incumbent LECs have had a long history of providing service throughout the relevant areas ... [and] generally have already obtained the ETC designation necessary to receive USF support throughout large service areas.” Thus, the FCC reasonably predicted that it could get more “bang for its buck” by providing subsidies to incumbent LECs to upgrade their extensive existing facilities than by providing subsidies to competitive ETCs, once designated, to deploy entirely new facilities. That predictive judgment is entitled to deference.³⁹

³⁸ In its comments, Liberty calls on the Commission to cease awarding legacy frozen support to PRTC. Liberty Cablevision of Puerto Rico Comments, LLC at p. 14. In an attempt to justify this position, Liberty blames the Commission for not imposing tailored service obligations on PRTC at the time it elected to continue to receive frozen support amounts as well as for leaving Puerto Rico “ill-equipped to recover quickly from the destruction of the 2017 hurricanes.” *Id.* at p. 13. This transparent attempt by Liberty to use this proceeding to boost its own competitive position at the expense of consumers in Puerto Rico is inconsistent with the public interest and must be rejected by the Commission.

³⁹ Brief of the Federal Communications Commission, In Re: FCC 11-161, at pp 8-9 (10th Cir. July 24, 2013) (citations omitted).

To detract from the fact that PRTC is best suited to restore and expand voice and broadband service quickly and efficiently throughout Puerto Rico, Liberty criticizes PRTC for having requested additional time to meet its final CAF Phase I Round 2 final construction deadline.⁴⁰ The fact that PRTC was briefly delayed in meeting its CAF Phase I deployment obligation is irrelevant to the matter at hand. PRTC deployed faster broadband service than it was required to deliver a short time after the deadline, which the Commission recognized as a mitigating circumstance.⁴¹ This speaks well of PRTC's ability to help the Commission meet its ambitious goals in Puerto Rico.

VII. THE COMMISSION SHOULD USE THE SAME APPROACH IN PUERTO RICO AND THE U.S. VIRGIN ISLANDS TO MINIMIZE LEGAL CHALLENGES AND EXPEDITE THE PROCESS.

If the Commission decides to offer the incumbent LEC in the U.S. Virgin Islands the right of first refusal for Stage 2 funding, the Commission should adopt the same approach in Puerto Rico. This will minimize legal challenges and expedite service restoration, network hardening, and expansion in both territories.

PRTC has proposed that it be offered the right of first refusal to support fixed and broadband service in exchange for the \$620 million in additional Stage 2 support.⁴² As stated in its comments, if PRTC is offered this additional funding on a ROFR basis, it would be prepared to modernize and expand voice and high-speed broadband service to a specified percentage of locations within a very aggressive timeframe.⁴³ No other provider in Puerto Rico has the scale and scope to accomplish this task, and it represents the fastest and most efficient and reliable

⁴⁰ Liberty Cablevision of Puerto Rico Comments, LLC at p. 14 n.29.

⁴¹ *Connect America Fund*, WC Docket No. 10-90, Declaratory Ruling and Order, 33 FCC Rcd 2238, ¶ 15 n.37 (WCB 2018).

⁴² Puerto Rico Telephone Company, Inc. Comments at pp. 20-21.

⁴³ *Id.*

manner of solving the communications crisis in Puerto Rico. PRTC reaffirms its commitment to work with the Commission on its proposal.

Puerto Rico and the U.S. Virgin Islands are similarly situated in many respects. Both are insular areas subject to the unique challenges and expenses that characterize the provision of telecommunications service in isolated, insular areas. Both territories have higher operational costs associated with severe tropical weather in the Caribbean, which requires frequent reconstruction of existing infrastructure due to storm and hurricane damage. Both are plagued by significantly lower average income and higher poverty levels than any state in the nation, which results in low customer adoption rates. Moreover, both territories have suffered significant destruction, prompting the Commission to establish funds that will promote service restoration, network hardening, and expansion of broadband service. Given these similarities, the Commission should adopt the same or similar approaches to minimize legal challenges and expedite the process.

VIII. CONCLUSION

For the reasons stated herein, PRTC urges the Commission to modify its proposal for the Uniendo Fund consistent with PRTC's comments and these reply comments.

Respectfully submitted,

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